

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

THE APPLICATION OF SHELBY RECC FOR THE)	
AUTHORIZATION TO BORROW SEVEN HUNDRED)	
SEVENTY-FOUR THOUSAND (\$774,000))	CASE NO.
DOLLARS FROM NATIONAL RURAL UTILITIES)	94-376
COOPERATIVE FINANCE CORPORATION AND TO)	
EXECUTE A NOTE FOR SAID SUM)	

O R D E R

Shelby Rural Electric Cooperative Corporation ("Shelby") filed its application on October 21, 1994 for approval to borrow funds from the National Rural Utilities Cooperative Finance Corporation ("CFC") and to execute its notes for such loan. The proceeds of this loan will finance Shelby's 1993-1995 Work Plan.¹ This Work Plan calls for improvements and additions specifically described in the application, which are estimated to cost \$2,580,626 and be financed by a \$1,806,000 loan from the Rural Electrification Administration ("REA") and a \$774,000 loan from CFC.

On November 22, 1994, Shelby filed a copy of correspondence received from REA and CFC approving the loans.

The Commission, after consideration of the evidence of record and being advised, finds that:

¹ Shelby received a Certificate of Public Convenience and Necessity for the 1993-1995 Work Plan in Case No. 93-387, The Application of Shelby Rural Electric Cooperative Corporation for a Certificate of Public Convenience and Necessity to make Certain Extensions and Improvements to its System, Order dated January 7, 1994.

1. The proposed loan from CFC is for lawful objects within the corporate purposes of Shelby, is necessary and appropriate for and consistent with the proper performance by the utility of its service to the public and will not impair its ability to perform that service, and is reasonably necessary and appropriate for such purposes.

2. Shelby is capable of executing its notes as security for the loan as stated herein.

3. Shelby should select the interest rate program which will result in the net lowest cost of money to it over the term of the financing.

4. Within 10 days of its selection of the interest rate program, Shelby should notify the Commission in writing of the interest rate program selected and of the reasons for its selection.

5. The proceeds from the proposed loans should be used only for the lawful purposes set out in Shelby's application.

6. Shelby should include in its monthly financial report to the Commission the current interest rate on its outstanding variable rate loans.

7. As the issuance of securities or evidences of indebtedness subject to the control of a federal governmental agency does not require Commission approval, KRS 278.300(10), and as the REA is an agency of the federal government, no action on Shelby's proposed loan from the REA is required.

IT IS THEREFORE ORDERED that:

1. Shelby be and it hereby is authorized to borrow \$774,000 from CFC for a 35-year period and bearing either a fixed or variable rate, as chosen by Shelby at the time the first monies are drawn from CFC, subject to the provisions and terms of the application with respect to renegotiation of the interest rate.

2. Shelby be and it hereby is authorized to execute its notes as security for the loan herein authorized.

3. Shelby shall comply with all matters set out in Findings 3 through 6 as if they were individually so ordered.

Nothing contained herein shall be deemed a warranty or finding of value of securities or financing authorized herein on the part of the Commonwealth of Kentucky or any agency thereof.

Done at Frankfort, Kentucky, this 8th day of December, 1994.

PUBLIC SERVICE COMMISSION


Chairman


Vice Chairman


Commissioner

ATTEST:


Executive Director